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May 15, 2009

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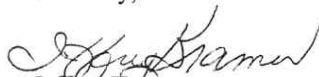
Enclosed please find a copy of Shelter From the Storm's audited financial statements for the year ending June 30, 2008 as requested.

Thank you for your on-going assistance, and please contact me if you need further information.

DIRECTORS

Steven Bloomquist
Juan Delara
Stan Henry
Rod Pacheco
Mary Roche
Patty Service
Robert A. Spiegel
Sandy Wessman

Sincerely,


Jeffrey Kramer
Chief Financial Officer

DIRECTOR EMERITA
Helen Reinsch

EXECUTIVE DIRECTOR
Lynn Moriarty

CHIEF FINANCIAL OFFICER
Jeffrey Kramer



A Non-Profit Corporation dedicated to helping victims of domestic violence in Riverside County.

SHELTER FROM THE STORM, INC.

FINANCIAL STATEMENTS

June 30, 2008 and 2007

SHELTER FROM THE STORM, INC.

June 30, 2008 and 2007

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Shelter From The Storm, Inc.
Palm Desert, California

We have audited the accompanying statements of financial position of Shelter From The Storm, Inc., (a nonprofit organization) as of June 30, 2008, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit. The summarized information for the prior year was derived from the Organization's 2007 financial statements. In our report dated June 10, 2008 we expressed an unqualified opinion on those financial statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and with standards applicable to financial audits in *Government Auditing Standards*, issued by the U.S. Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shelter From The Storm, Inc., as of June 30, 2008, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 13, 2009, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



May 13, 2009

SHELTER FROM THE STORM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008

(Summarized Totals for 2007)

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and Equivalents	\$ 224,974	\$ 341,961
Contracts Receivable	561,708	555,752
Pledges Receivable	83,210	147,518
Investments	169,792	182,142
Prepaid Expenses	11,500	13,793
Total Current Assets	<u>1,051,184</u>	<u>1,241,166</u>
Noncurrent Assets		
Shelter Building and Land	2,318,252	1,657,176
School Building and Land	2,026,670	2,026,670
Office Building and Land	990,554	990,554
Furniture and Fixtures	423,542	383,752
Office Equipment	81,886	81,886
Construction in Progress	800,538	323,750
	<u>6,641,442</u>	<u>5,463,788</u>
Accumulated Depreciation	<u>(1,175,934)</u>	<u>(1,122,177)</u>
	<u>5,465,508</u>	<u>4,341,611</u>
Total Assets	<u>\$ 6,516,692</u>	<u>\$ 5,582,777</u>

See Accompanying Notes to Financial Statements.

SHELTER FROM THE STORM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008

(Summarized Totals for 2007)

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
Current Liabilities		
Accounts Payable	\$ 597,896	\$ 199,097
Accrued Payroll Costs	63,464	55,378
Accrued Pension and Trust Liability	172,024	242,692
Current Portion of Notes Payable	46,756	43,993
	<hr/>	<hr/>
Total Current Liabilities	880,140	541,160
	<hr/>	<hr/>
Noncurrent Liabilities		
Mortgage Notes Payable	2,011,398	2,065,277
	<hr/>	<hr/>
Total Liabilities	2,891,538	2,606,437
	<hr/>	<hr/>
Net Assets		
Unrestricted	3,573,695	2,813,182
Temporarily Restricted	51,459	163,158
	<hr/>	<hr/>
Total Net Assets	3,625,154	2,976,340
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 6,516,692</u>	<u>\$ 5,582,777</u>

See Accompanying Notes to Financial Statements.

SHELTER FROM THE STORM, INC.

STATEMENTS OF ACTIVITIES

For The Year Ended June 30, 2008

(Summarized Totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
Revenues				
Government Contracts	\$ 2,040,542	\$ -	\$ 2,040,542	\$ 1,361,733
Contributions	521,479	-	521,479	177,297
Special Event Revenues	506,564	-	506,564	675,959
Direct Event Expenses	(340,447)	-	(340,447)	(373,368)
Net Special Events	166,117	-	166,117	302,591
Counseling Fees	9,528	-	9,528	38,377
Investment and Other Income	(14,553)	-	(14,553)	44,588
	2,723,113	-	2,723,113	1,924,586
Net Assets Released from Restrictions	111,699	(111,699)	-	-
Total Revenues	2,834,812	(111,699)	2,723,113	1,924,586
Expenses				
Program Services				
Shelter Operations	1,049,188	-	1,049,188	1,249,900
Outreach and Counseling	671,325	-	671,325	713,489
Support Services				
Management and General	311,964	-	311,964	298,022
Fundraising	41,822	-	41,822	45,695
Total Expenses	2,074,299	-	2,074,299	2,307,106
Change in Net Assets	760,513	(111,699)	648,814	(382,520)
Net Assets - Beginning	2,813,182	163,158	2,976,340	3,358,860
Net Assets - Ending	<u>\$ 3,573,695</u>	<u>\$ 51,459</u>	<u>\$ 3,625,154</u>	<u>\$ 2,976,340</u>

See Accompanying Notes to Financial Statements.

SHELTER FROM THE STORM, INC.

STATEMENTS OF CASH FLOWS

For The Year Ended June 30, 2008

(Summarized Totals for 2007)

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 648,814	\$ (382,520)
Noncash Items Included in Revenues and Expenses -		
Depreciation	53,757	71,643
Increase (Decrease) in Cash Resulting From Changes In:		
Contracts and Pledges Receivable	58,352	87,183
Prepaid Expenses	2,293	(1,331)
Accounts Payable	398,799	87,867
Accrued Expenses	(62,582)	41,408
Cash Provided (Used) By Operating Activities	<u>1,099,433</u>	<u>(95,750)</u>
Cash Flows From Investing Activities		
Sale (Purchase) of Investments	12,350	(47,360)
Purchase of Furniture and Fixtures	(39,790)	-
Purchase of Equipment	-	52,548
Purchase of Buildings	(661,076)	-
Purchase of Construction in Progress	(476,788)	(239,122)
Cash (Used) By Investing Activities	<u>(1,165,304)</u>	<u>(233,934)</u>
Cash Flows From Financing Activities		
Retirement of Notes Payable	(51,116)	(49,668)
Cash (Used) By Financing Activities	<u>(51,116)</u>	<u>(49,668)</u>
(Decrease) in Cash and Equivalents	<u>(116,987)</u>	<u>(379,352)</u>
Cash and Equivalents - Beginning	<u>341,961</u>	<u>721,313</u>
Cash and Equivalents - Ending	<u><u>\$ 224,974</u></u>	<u><u>\$ 341,961</u></u>

Supplemental Cash Flow Information

Cash flows from operating activities included interest payments of \$156,370 in 2008 and \$149,629 in 2007. There were no income tax payments in either reporting period.

See Accompanying Notes to Financial Statements.

SHELTER FROM THE STORM, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2008

(Summarized Totals for 2007)

	<u>Shelter Operations</u>	<u>Outreach / Counseling</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
Salaries / Wages	\$ 510,826	\$ 415,064	\$ 123,783	\$ 27,409	\$ 1,077,082	\$ 1,147,402
Payroll Costs / Benefits	109,982	89,363	26,650	5,901	231,896	339,693
Total Salaries / Costs	620,808	504,427	150,433	33,310	1,308,978	1,487,095
Repairs / Maintenance	30,696	13,745	90	-	44,531	44,732
Insurance	45,610	14,034	10,525	-	70,169	91,208
Depreciation	72,225	11,850	11,196	-	95,271	128,443
Utilities / Telephone	99,440	13,521	9,236	-	122,197	128,139
Property Taxes	-	-	6,071	-	6,071	6,214
Contract Labor	-	60,000	46,223	-	106,223	103,023
Program Supplies	40,739	986	242	-	41,967	27,212
Mortgage Interest	110,810	22,780	22,780	-	156,370	149,629
Office / Copier Supplies	11,571	11,478	12,104	-	35,153	29,034
Office Administration	4,457	8,620	7,632	-	20,709	26,997
Professional Fees	-	-	25,001	-	25,001	25,843
Printing / Postage	450	1,399	6,178	8,512	16,539	19,572
Promotions / PR	7,416	4,727	2,268	-	14,411	29,750
Travel / Meals	4,966	3,758	1,985	-	10,709	10,215
Total Expenses	\$ 1,049,188	\$ 671,325	\$ 311,964	\$ 41,822	\$ 2,074,299	\$ 2,307,106

See Accompanying Notes to Financial Statements.

SHELTER FROM THE STORM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE - 1 ORGANIZATION AND OTHER MATTERS

Shelter From The Storm, Inc. (The Shelter) is a nonprofit corporation organized in California in 1988 and dedicated to providing a safe haven for victims of domestic violence in the Coachella Valley region of Southern California. The Shelter operates a 60-bed shelter facility and transitional housing, as well as counseling and outreach services. The Shelter's principal sources of revenue are contributions from individuals, corporations, and foundations and service contracts with governmental agencies that provide assistance for intervention and prevention of domestic violence.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Receivables

Contracts and pledges receivable consist of the amounts described in Note 3 and are considered by management to be fully collectable. No allowance for doubtful accounts has been provided.

Investments

Investments include equity securities that have readily determinable market values and are reported at fair value.

Depreciation Methods

Buildings, furniture, equipment, and improvements are presented at cost or donated value and are being depreciated by the straight-line method over the useful lives of the assets, which range from 5 to 39 years.

Accounting for Contributions

Generally accepted accounting principles require that the Shelter reports information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted contributions are recognized as an increase in unrestricted net assets when received. Contributions restricted by the donors are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the activity statement as net assets released from restrictions. When restrictions are satisfied in the same period as the receipt of the contribution, the Shelter reports both the revenue and the related expense in the unrestricted net asset class.

SHELTER FROM THE STORM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restrictions on Net Assets

Temporarily restricted net assets have been restricted by donors for the construction of a school building at the shelter facility and for the cost of providing legal aid services for victims of domestic violence.

Cash Equivalents

For the purposes of the statement of cash flows, the Shelter considers all temporary and highly liquid investments with maturities of three months or less to be cash equivalents.

Functional Expense Reporting

The cost of providing the Shelter's programs has been summarized on a functional basis in these financial statements. Based on management estimates, costs have been allocated between programs and supporting services as they relate to those functions.

Donated Services

Many individuals have donated significant time and services to advance the Shelter's programs and objectives. These services have not been recorded in the financial statements because no objective basis is available to measure the value of such services. In addition, many individuals and organizations have donated food, clothing, and other household items for the benefit of shelter residents. Because of the uncertainty in measuring the value of these donations, they have not been recorded in the financial statements.

Income Taxes

The Shelter is exempt from income tax liability under Section 501(c)(3) of the Internal Revenue Code and Section 23401 of the California Tax Code. Annual income returns filed with taxing authorities use the same accounting methods as those used for financial reporting.

Prior Year Information

The financial statements include certain summarized comparative information from the prior year. This information is not presented by net asset class and does not include sufficient detail to be in conformity with generally accepted accounting principles. This information should be read in conjunction with the Shelter's financial statements for the year ended June 30, 2007, from which the comparative information was extracted.

Certain accounts in the prior year financial statements have been reclassified to permit comparison with the presentation in the current year financial statements.

SHELTER FROM THE STORM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 3 – RECEIVABLES

	<u>2008</u>	<u>2007</u>
Contracts receivable consist of the following amounts:		
Due from Local Governments and Agencies	\$ 309,442	\$ 267,710
Due from the State of California	55,332	107,223
Due from Federal Agencies	<u>196,934</u>	<u>108,819</u>
Total Contracts Receivable	<u>\$ 561,708</u>	<u>\$ 555,752</u>

During the current reporting period, contract revenues totaled approximately \$477,000 with local governments and agencies, \$513,000 with the State of California, and \$1,051,000 with the federal government.

Pledges receivable consist of unconditional promises currently due from individuals and organizations.

NOTE 4 – TRANSITIONAL HOUSING PROJECT

The Shelter has renewed its lease agreement with the Palm Desert Redevelopment Agency through December 30, 2014, to occupy real estate that consists of 20 apartment units. The agreement provides that the property will be used as transitional living units for victims of domestic violence and that no lease payment will be charged to the Shelter for the use of the property.

The purpose of transitional housing is to provide decent living conditions for abused women and children while they are gaining the education and work experience necessary to become self-sufficient families, free of dependence on their former abusers. The costs of operating this facility are covered by contracts with the U.S. Department of Housing and Urban Development and the County of Riverside.

NOTE 5 – LEASE COMMITMENTS

The Shelter occupies property for its transitional housing project under the terms of an operating lease with the Palm Desert Redevelopment Agency. In addition, the Shelter occupies other office space for its outreach facilities in locations provided by the County of Riverside and other landlords at either none or nominal rental amounts.

NOTE 6 – PENSION PLANS

The Shelter has a 403B salary deferral and defined contribution pension plan that covers substantially all of its employees who satisfy the plan requirements. Employees may make tax deferred voluntary contributions to the 403B plan, and the Shelter may make discretionary matching contributions. The Board may also elect to make discretionary contributions to the defined contribution plan. Contributions to both plans amounted to \$60,550 in 2007. In 2008, prior contributions to the plan were rescinded, causing a reduction to both plans of \$66,279.

SHELTER FROM THE STORM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 7 – NOTES PAYABLE

	<u>2008</u>	<u>2007</u>
Mortgage Notes		
A note due to Palm Desert National Bank, secured by a mortgage on the shelter property, with monthly payments of \$3,600, with variable interest currently at 8.75%, due in March 2010.	\$ 364,055	\$ 374,615
A note due to Palm Desert National Bank, secured by a mortgage on the school building, with monthly payments of \$7,790, with interest at 6.5%, due in February 2014.	1,108,554	1,128,150
A note due to Manhattan Financial, secured by a mortgage on the office building, with monthly payments of \$5,478, with interest at 7.5%, due in March 2013.	<u>585,545</u>	<u>606,505</u>
Total Mortgage Notes Payable	2,058,154	2,109,270
Portion Due in the Next 12 Months	<u>(46,756)</u>	<u>(43,993)</u>
Long Term Portion	<u>\$ 2,011,398</u>	<u>\$ 2,065,277</u>

Principal maturities due in future years are as follows:

<u>June 30,</u>	
2009	\$ 46,756
2010	392,685
2011	42,432
2012	45,944
2013	49,749
Thereafter	<u>1,480,588</u>
Total	<u>\$ 2,058,154</u>

NOTE 8 – RELATED PARTY MATTERS

During the reporting period, the Shelter had financial arrangements with members of its governing body. A board member is Chairman and CEO of Palm Desert National Bank where the Shelter maintains its bank accounts. As discussed in Note 7, the bank also holds the mortgage notes on the shelter building and on the school building. During the reporting period, no fees were charged by the bank for its banking services and interest paid to the bank on loans amounted to \$110,810 in 2008 and \$110,361 in 2007.

SHELTER FROM THE STORM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

From time to time, the Shelter had cash deposits with one financial institution in excess of FDIC insured limits. Management does not consider this concentration to be a significant credit risk.

NOTE 10 – SPECIAL EVENTS

As part of its fund raising efforts, the Shelter holds an annual gala event to advance its mission in the community and to promote significant contributions in support of its activities. Revenues from this major fund raising event in the current period included the following:

	<u>2008</u>	<u>2007</u>
Proceeds from ticket sales and sponsorships	\$ 406,304	\$ 472,067
Major gift from a trust	<u>100,260</u>	<u>203,892</u>
Total Revenues from Special Events	<u>\$ 506,564</u>	<u>\$ 675,959</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Shelter From The Storm, Inc.
Palm Desert, California

We have audited the financial statements of Shelter From The Storm, Inc., as of and for the year ended June 30, 2008, and have issued our report thereon dated May 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in Government auditing Standards, issued by the United States Comptroller General.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shelter's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shelter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Shelter's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principle, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Shelter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provision was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the board of directors, management, and federal awarding agencies and pass-through entities. This report is not intended to be used and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "K. G. Kandy". The signature is written in a cursive, flowing style with a large initial "K" and a distinct "G" and "K" following.

May 13, 2009